Connecting
People and Places

Annual Report

January 1998 to March 1999

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RapidTransit
Project2000

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Highlights

January 1998 to March 1999

- Established the *Rapid Transit Project 2000 Ltd.* (RTP 2000) board and organization, including policies, procedures and management systems
- Contracted specialist personnel to provide the expertise and functions to complete the project
- Carried out detailed ridership and land development analyses
- Began implementation of an extensive public consultation program
- Confirmed the preferred route alignment, station locations and refined project scope
- Worked with the *Special Commission SkyTrain Extension Review* to complete a review of project-related environmental issues
- Made a formal environmental assessment submission under the federal *Canadian Environmental Assessment Act*
- Completed preliminary design
- Identified contract, risk management and labour strategies
- Advanced and/or completed negotiations on key contracts with Bombardier
- Identified preferred proponents for major construction contracts
- Confirmed project budget estimates

The existing SkyTrain line serving Vancouver, Burnaby, New Westminster and Surrey is the backbone of Vancouver's comprehensive public transit system. Today, more than 40 million passengers board the SkyTrain system annually, a 100 per cent increase over the past decade.

The new SkyTrain line will create many new jobs during construction and operations. But more than jobs alone, the new SkyTrain line will strengthen B.C.'s expertise in developing, building and operating rapid transit systems and other leading-edge transportation solutions.

Message from the Minister

As the new minister responsible for the Rapid Transit Project 2000 Ltd. (RTP 2000), builders of the new SkyTrain line, I am inspired by the project's accomplishments over the past 15 months. This progress towards building a better, more comprehensive rapid transit system in the Lower Mainland is reflected in this annual report.

For the past decade, various groups have recognized the important role of efficient transportation and balanced land-use in maintaining the livability of Greater Vancouver.

From declining air quality to increasingly congested traffic, the cost of delaying action is simply too high.

That is why the government of B.C. has taken bold steps to improve transportation and support better land-use planning. The creation of TransLink in April 1999 was one step. Investing in an expanded SkyTrain system is another.

On June 24, 1998, the Province of British Columbia signed a comprehensive memorandum of understanding (MOU) with Bombardier Transportation. The MOU addressed a range of issues including procurement, job creation, construction and operations.

The new line between Vancouver and New Westminster via the Broadway-Lougheed corridor builds on an extremely popular existing line and will expand access to fast, frequent and convenient rapid transit in Greater Vancouver. However, this project is about more than mobility. It will also deliver economic benefits in the form of new jobs and investment, and position our region as a centre of excellence in rapid transit technology.

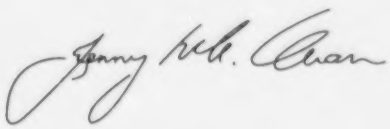
I am particularly pleased to report that the new SkyTrain line – *from the route alignment to station design* – reflects the input of thousands of Lower Mainland residents.

This level of public involvement is a significant achievement and will ensure that the new system reflects both the values and needs of local communities.

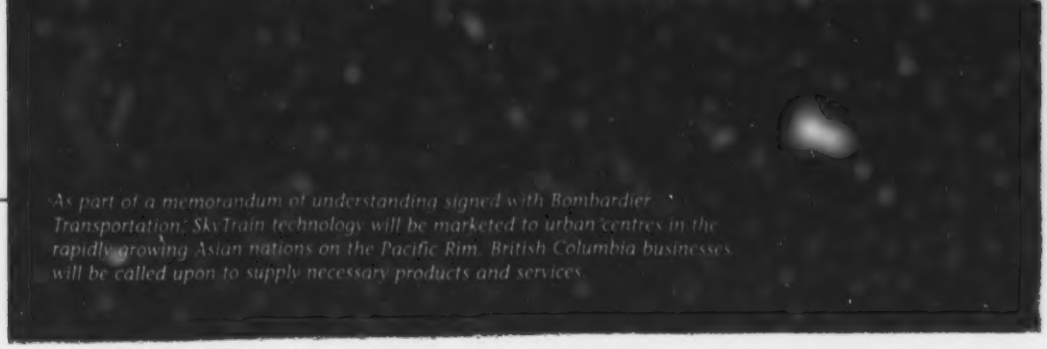
Although much has been accomplished in the past year, much more remains to be done. Indeed, the project is now moving into the important construction phase.

Soon the new line will begin to take shape over its 21 kilometre route; signifying that an expanded SkyTrain system is just months away.

See you on board.



Jenny Kwan
Minister Responsible for Transit



As part of a memorandum of understanding signed with Bombardier Transportation, SkyTrain technology will be marketed to urban centres in the rapidly growing Asian nations on the Pacific Rim. British Columbia businesses will be called upon to supply necessary products and services.

President's Report

Over the past 15 months, RTP 2000 has focused on planning and designing a rapid transit system that will take Greater Vancouver into the 21st century.

A key milestone was the signing of a memorandum of understanding (MOU) between Bombardier – owner of proprietary SkyTrain technology – and the provincial government on June 24, 1998. As well as delivering MK II SkyTrain technology to the Lower Mainland, the MOU also secured the construction of Bombardier's Centre for Advanced Transit Systems in Greater Vancouver, its first facility west of Thunder Bay. The centre will manufacture MK II vehicles for the new SkyTrain line, and will develop and market SkyTrain technology around the world.

We've set ourselves many criteria for success during the planning process for the current project – *the New Westminster-Lougheed Mall-Vancouver Community College line*. We have made a great deal of progress towards meeting those goals.

The new SkyTrain line must meet customer needs, and be located and designed so that current and future users find the system convenient and safe.

I am very proud of the public consultation program that we have established to incorporate public input into the decision making process on the route and station locations, and design and use issues. It's one of the largest transit-related programs ever undertaken in the province.

The New SkyTrain Line At A Glance

Fast: *SkyTrain travels at up to speeds of 80km/hour and averages 40 km/hour.*

Quieter than most vehicles: *SkyTrain's noise emissions are comparable to those of an electric trolley bus.*

Stations on the new line reflect the input of local residents. In addition, the physical design of the stations will incorporate Crime Prevention Through Environmental Design (CPTED), proven principles that integrate features that minimize opportunities for criminal activity.

Innovations that we are working on now include designing new stations to fit the communities they serve – *moving away from the "cookie-cutter" approach used for existing SkyTrain stations* – and a far reaching safety and security program that will help make all our customers more comfortable when using the system.

We have placed a great deal of emphasis on environmental management throughout the planning process and in preparation for construction. We have looked carefully at how potential environmental impacts during construction and operation of the new line can be avoided or mitigated.

Our resulting plans have been subject to review by both a provincial special commission and the federal government under the Canadian Environmental Assessment Act.

We see the project overall as offering a net environmental benefit for the region, with the potential to get traffic off our congested roads and better utilize scarce land resources.

The New SkyTrain Line At A Glance

Clean:
SkyTrain releases no harmful chemicals into the environment; therefore, it produces no air pollution.

Frequent:
Fully automated cars can run as frequently as one-and-a-half minutes apart.

Public involvement has been a hallmark of the development of the new SkyTrain line. Arthur Griffiths (left), Chair of Public Consultation for the project, together with President and Project Director Lecia Stewart (right) have been active in ensuring the project reflects community input.

Making sure that we deliver the project on budget is also a key criterion for success. By building on the existing SkyTrain system, we have been able to develop accurate budgets that ensure that all contracts can be awarded on a fixed price basis. The project is also equipped with state-of-the-art cost-control systems and a living project management plan that will help managers keep the project on track.

The last year has been a productive time. We have experienced staff in place – many of whom have worked on earlier phases of SkyTrain – and the plans and technology in place.

We're ready to build.

The next 12 months will be very exciting for RTP 2000 and, I hope, for the Greater Vancouver residents that will benefit from the new line, as we see the current project coming together in practice, and move forward with proposals for future SkyTrain lines.

President and Project Director

The New SkyTrain Line At A Glance

Timely: *The first section of the new SkyTrain line is targeted to be in revenue service in 2001.*

The new SkyTrain line has a total budget of $1.167 billion for planning, design and construction. Capital expenditures on guideways, stations, operating systems, vehicles and land represent more than 60 per cent of this amount.

Overview of Rapid Transit Project 2000

In June 1998, the provincial government directed RTP 2000 to plan and construct the new SkyTrain system and provided RTP 2000 with $250 million capital funding for the 1998/99 fiscal year. As a provincially held limited company incorporated under the B.C. Company Act, the province confirmed RTP 2000's mandate to:

- design and construct the new line;
- implement the terms of the memorandum of understanding between Bombardier and the province;
- participate in cost sharing negotiations between the province and the Greater Vancouver Transportation Authority (GVTA);
- conduct feasibility studies for lines to Vancouver West and Coquitlam; and
- prepare work plans for feasibility studies into future lines to UBC and to Richmond.

RapidTransit *Project2000*

SkyTrain

Reporting directly to the Minister Responsible for Transit, the company is led by a five-person board of directors:

- **Bob Lingwood** (CHAIR), Chief Executive Officer and President of B.C. Ferries
- **George Chen**, Chair of B.C. Transit
- **Blair Redlin**, President of B.C. Transportation Financing Authority (BCTFA) and Deputy Minister of Transportation and Highways
- **Graeme Bowbrick**, TransLink board member, Director of BCTFA and MLA for New Westminster
- **Lecia Stewart**, President and Project Director of RTP 2000 Ltd.

Since the existing SkyTrain line was built in the mid-80s, Bombardier has made several enhancements to SkyTrain technology. For example, the new SkyTrain line will use MK II cars, which are bigger, brighter and easier to move around in. Other improvements will make the system more reliable and efficient than before.

The project office reports monthly to the board regarding financial matters, system engineering and design, communications and public consultation, Year 2000 compliance and environmental issues.

The RTP 2000 Executive Project Team includes:

Lecia Stewart, President and Project Director
Lecia Stewart has extensive experience in the transportation industry. As the project director for *West Coast Express*, Stewart oversaw the construction and operation of an award-winning commuter rail system. As RTP 2000's president and project director, Stewart assembled a highly qualified and experienced team and developed a strategic plan for the definition, financing and implementation of the project. Through her diligent leadership, Stewart will ensure the project is completed on budget.

Arthur Griffiths, Chair of Public Consultation
Arthur Griffiths is one of Vancouver's most well known and respected business leaders. Griffiths' commitment to Vancouver has been shown in his involvement with the Canucks NHL hockey team and the Grizzlies NBA basketball team. He serves as the chair of the Vancouver/Whistler Bid Committee working to secure the *2010 Winter Olympics*. As RTP 2000's chair of public consultation, Griffiths liaises with local residents, business owners, and community groups and leaders.

Teresa Watts, Director of Systems Design
Teresa Watts is responsible for overall system planning, service design, station design, and environmental assessment. She is a planner and economist with experience in transportation planning, land development and economic analysis. Watts directed the development of Greater Vancouver's

Creating local jobs and diversifying the economy are key benefits of the new Bombardier Centre for Advanced Transit Systems. The centre will create more than 900 permanent direct and indirect jobs. On-site jobs will include project management, systems engineering and procurement, marketing, research, development and production of MK II SkyTrain cars.

Key members of the project team (left to right): Teresa Watts, Director of Systems Design, Alan Hart, Manager, Architectural Planning and Urban Design, Gayle Bukowsky, Director of Communications, Doug Hinton, Director of Engineering and Construction, Lecia Stewart, President and Project Director, John Eastman, Project Manager, Gary Youngman, Director of Public Consultation and Arthur Griffiths, Chair of Public Consultation.

High Occupancy Vehicle (HOV) network implementation and operations plan, and the development of the service design and governance structure for Vancouver's commuter rail system. She also worked on the original SkyTrain line.

John Eastman, P. Eng, Project Manager

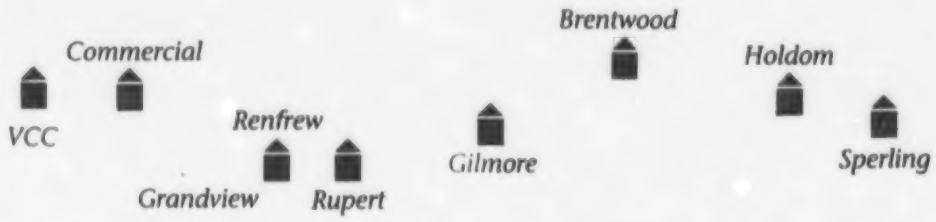
John Eastman is responsible for ensuring that the design and construction of the project is completed within budget and on schedule. Eastman has more than 35 years experience in the design and construction of transportation projects, the majority of which have been devoted to rail rapid transit projects. Eastman was actively involved in the design and construction of all three phases of Vancouver's original SkyTrain line and was responsible for the planning and design of major sections of Hong Kong's rapid transit system.

Like the existing SkyTrain line, the new line will encourage more compact urban development and support more livable communities. All along the line's alignment, retail and service businesses are looking forward to the economic benefits of rapid transit.

Selecting the Route and Station Locations

Passengers on the new SkyTrain line will ride in advanced MK II cars. Compared to the MK I cars on the existing line, these cars are wider and longer, with more spacious and comfortable interiors.

Over the past decade, various Greater Vancouver Regional District (GVRD) and B.C. Transit studies have agreed on the importance of improved transit on the *Broadway-Lougheed and New Westminster-Coquitlam corridors*. One of RTP 2000's first priorities was the selection of the precise route alignment and station locations. This process incorporated extensive public consultation, environmental issues, and land-use development and ridership studies. To assess alignment alternatives, the corridor was divided into seven segments based on municipal and neighbourhood boundaries. Planning and urban design teams were assigned to each segment to identify and analyze vertical and horizontal alignment options. Public consultation professionals worked with these teams to integrate community input into the planning process.



Evaluation of the route alignment alternatives combined technical analysis with input from municipal councils, staff and the public. Evaluation criteria were designed to reflect and address social, environmental, customer service, cost and construction issues.

ETF 2000 has contracted a variety of professionals with relevant expertise for the design and construction of the new line. Many key project staff worked on the construction of the existing line more than a decade ago.

In February 1999, the route of the line and location of the new stations were finalized, a product of the comprehensive planning process. The route will be 21 km long and travel from New Westminster's Columbia Station to Lougheed Mall to Vancouver Community College. It will include 11 new stations (two of four proposed future stations have since been included in the project, for a total of 13, and one has been eliminated). Key stations on the new SkyTrain line include Commercial Station, where it will connect to the existing line at Broadway, Lougheed Mall, and Columbia Station, where the new line will also connect with the existing line.

Public safety was an important concern for participants in the project's extensive consultation process. Safety considerations have been integrated into the design of the new SkyTrain line and each of the new stations.

Lake City

Production Way

Lougheed

Braid

Sapperton

Woodlands

Columbia

Public Consultation

Public consultation for the new SkyTrain line represents one of the most exhaustive programs ever conducted in B.C. From July 1998 to March 1999, the public consultation program received input, dispersed information and identified concerns about the new line in five key areas – *local government, neighbourhoods, interest groups and stakeholders, First Nations and the general public.*

RTP 2000's public consultation program includes mall displays to provide a way to gather input about the proposed route alignment and station locations. Thousands of Lower Mainland residents have participated in this activity.

In addition to shaping the route alignment and offering suggestions on station-specific issues, the public offered valuable input on safety and security, noise and vibration concerns, and construction planning and mitigation.

Public consultation initiatives included:

- open houses and workshops along the new SkyTrain line corridor;
- mall displays to gather input about route alignment and station location;
- meetings with local governments, municipal staff, community and interest groups to review project progress, identify key issues and review public consultation activities;
- consultation with several aboriginal communities in areas affected by the project;
- focus groups and public opinion surveys to determine public support for further rapid transit and views regarding proposed corridors and technology;
- door-to-door visits to homes adjacent to the proposed route; and
- an information line that has fielded thousands of calls from local residents.

In January 1999, a special commission appointed by the provincial government to review the new SkyTrain line – including its public consultation process – released an interim report. The report stated that the public consultation effort had been "professional and responsive to the needs of individuals potentially affected," and that the public supports the preferred route alignment.

Public Consultation Activities to March 31, 1999

Number of open houses and workshops
11

Number of participants at open houses and workshops
3,000

Number of mall display visitors
74,000

Number of stakeholder meetings
more than 80

Door-to-door visits
10,000

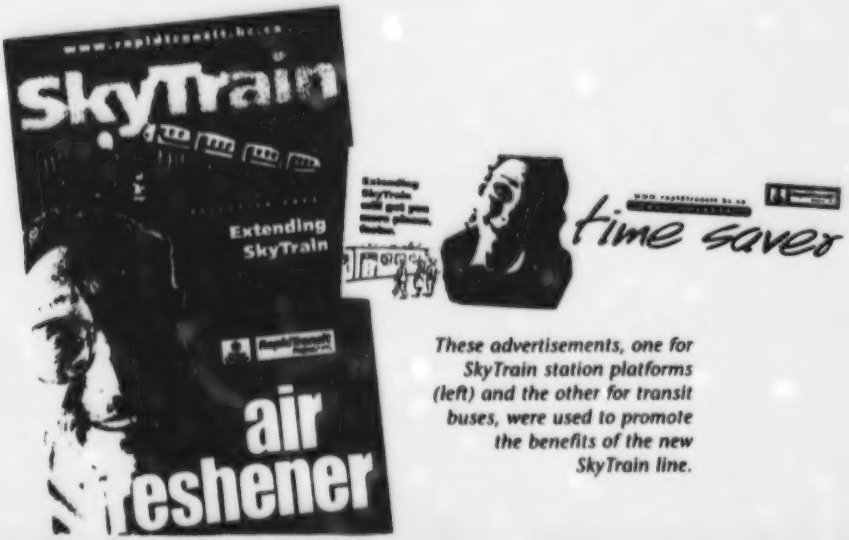
Open houses, design workshops and design forums have played an important role in gathering the public's input on various aspects of the project's design and construction. These activities are part of one of B.C.'s most comprehensive public consultation efforts ever.

Communications

In its first year, RTP 2000's strategic communications program focused on heightening public awareness of the new SkyTrain line and planning and process activities associated with the project. Building on integrated marketing messages and communication vehicles, a strong educational component was incorporated into all publications and information materials.

Various communication initiatives include ongoing public information campaigns using media such as daily and community newspapers, radio, neighbourhood-specific newsletters and a comprehensive website hosting information on a variety of topics. In addition, media relations activities provided an important supporting role to all communication efforts.

One of the objectives of RTP 2000's communications program is to ensure that residents of the region are aware of this significant project. According to market research undertaken in February, project awareness is 70 per cent.



These advertisements, one for SkyTrain station platforms (left) and the other for transit buses, were used to promote the benefits of the new SkyTrain line.

A variety of environmental mitigation measures will minimize the impact of construction of the new line on valuable fish and fish habitat. For example, all bridges on the new line will "clearspan" local rivers.

Environmental Management

The new SkyTrain line will result in significant regional environmental benefits by helping to reduce the number of single occupant vehicle trips and shaping more compact urban development. As important as these benefits are, however, RTP 2000 believes they should not occur at the expense of local communities.

From the outset, one of RTP 2000's project objectives has been to avoid, where possible, adverse environmental impacts during construction, and to minimize and mitigate impacts where they cannot be avoided. To that end, RTP 2000 consistently addressed the environmental implications of the project from the early planning stages to ensure full integration of environmental considerations into all decision-making.

Between August and November 1998, a series of environmental assessments were conducted and summary reports released. The assessments concentrated on the corridors along the new SkyTrain route and identified possible environmental impacts and prescribed how they could be avoided. Consideration for fish and fish habitat was a central focus of these studies.

Key Environmental Management Milestones

December 1998
A series of detailed Specific Environmental Design Assessments concentrate on specific issues or sensitive areas describing conditions and values, impact assessment and mitigation strategy.

January 1999
The Construction Environmental Management Program outlines the construction practices required for all contractors as part of their contractual terms and conditions by the project, ranging from environmental monitoring requirements to a spill contingency plan.

March 1999
A comprehensive Environmental Assessment and Management Report draws on the previous studies and identifies how the project will deal with environmental impacts.

The new line will result in significant regional environmental benefits. For example, by running on electricity, SkyTrain produces none of the harmful emissions that can reduce local air quality or add to greenhouse gases.

RTP 2000 also commissioned an environmental assessment of the route corridor to identify the range, extent and significance of potential impacts resulting from construction and operation of the new SkyTrain line. The project also made recommendations on avoiding or mitigating potential environmental impacts, providing a key input to the evaluation of options. Moreover, careful planning has allowed RTP 2000 to largely locate the new SkyTrain line in existing road and rail corridors, reducing the possibility of environmental impacts.

In September 1998, the Minister of Environment, Lands and Parks appointed a special commission to address environmental issues related to the construction and operation of the new line. The review was also designed to allow a full opportunity for community input and consultation on environmental matters.

In December 1998, the commission submitted an interim report that provided an audit of the project process, as well as a preliminary review of the project impacts. Amongst its findings, the interim report acknowledged RTP 2000's work to examine potential environmental impacts and prevent or mitigate them during the construction and operation of the new line. It also suggested corrective measures to address them.

Primarily as a result of the Brunette River crossing and work to be undertaken at Sapperton Reach on the Fraser River, the Rapid Transit Project is also being reviewed at the federal level under the terms of the Canadian Environmental Assessment Act (CEAA). Its report and recommendations are expected to be released during the summer of 1999.

Constructing the new SkyTrain line will employ a technique never before used in British Columbia. An overhead cantilever truss system will raise individual pre-cast guideway segments, each about three metres long, into place.

Partnership with Bombardier Transportation

In June 1998, the Province of B.C. signed a memorandum of understanding (MOU) with Bombardier Transportation of St. Bruno, Quebec, the sole-source supplier of SkyTrain technology. Bombardier is a Canadian corporation specializing in the research and development, production and marketing of transportation, aerospace and recreation products and systems. The terms of the MOU were negotiated by RTP 2000, under authorization from the provincial government.

This innovative MOU will deliver significant benefits to British Columbia in terms of job creation, economic development and knowledge transfer. For example, the agreement will help to create more than 900 permanent direct and indirect jobs, and inject $175 million into the B.C. economy.

BOMBARDIER
TRANSPORTATION

A rapid transit line from Vancouver to Richmond Centre and Vancouver International Airport is also being considered, in conjunction with Vancouver/Whistler's 2010 Winter Olympics bid.

Highlights of the MOU:

- Bombardier and the province will negotiate contracts for the supply of the electrical and mechanical system, and the manufacture of the new advanced *MK II SkyTrain* cars.
- Together, Bombardier and the province will negotiate an operations and maintenance contract for both the new and existing SkyTrain lines with the Greater Vancouver Transportation Authority (now called TransLink).
- Bombardier agreed to establish a long-term *Centre for Advanced Transit Systems (CATS)* in Burnaby for the research, design and manufacturing of its proprietary SkyTrain technology, as well as technology development, operation, maintenance and global marketing. On-site employment opportunities will include project management, systems engineering and procurement, marketing, research, development and production of SkyTrain vehicles.
- Bombardier signed a facilities and procurement agreement with the B.C. government. Under the agreement, Bombardier will invest $175 million in B.C., including a strategy to buy goods and services in the province. Businesses expected to benefit are those in propulsion, communications, safety monitoring equipment and transit power.

Financial Statements

Management Discussion

In May 1998, the provincial government approved a budget of $1.167 billion for the planning, design and construction of a new SkyTrain line from New Westminster to Vancouver Community College. An additional $8.0 million was also budgeted for two definition phases, Lougheed Town Centre to Coquitlam and Vancouver to Richmond.

The SkyTrain budget includes:

- $736.1 million for direct costs including the costs of the guideway, stations, operating systems, vehicles and land;
- $133.7 million for design, management, public consultation and communications; and
- $304.8 million for financing, taxes and project contingency.

In Fiscal 1999, the project had approval to spend $250 million of the overall budget. As of March 31, 1999, total expenditures were $192.4 million, consisting of $135.9 million in project costs and a $56.5 million deposit for vehicles that will be transferred to the Greater Vancouver Transportation Authority.

Fiscal 1999 project expenditures were $57.6 million below the approved $250 million largely due to delayed expenditures on the electrical & mechanical systems and a delay in the construction start date due to pending environmental approvals.

In early 1999, a comprehensive Program Management Procedures and Guidelines Policy was developed. These policies outline a standardized method for the proper execution of program and project management controls.

The policy covers many areas including:

- project organization,
- document control,
- cost control,
- variance analysis,
- cost & schedule integration,
- procurement,
- contract administration, and
- risk management.

Management also implemented integrated scheduling, contract management and financial systems to assist in the overall project management.

The policy and integrated systems were further reviewed by an independent agency to express an opinion as to whether the policy and systems are adequate for properly managing project costs and provide an early indication of any cost overruns and schedule delays on the project. The review was released in mid-May 1999.

Financial Statements and Notes

RAPID TRANSIT PROJECT 2000 LTD.
Financial Statements
Period ended March 31, 1999

AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the balance sheet of Rapid Transit Project 2000 Ltd. as at March 31, 1999 and the statement of cash flows for the period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 1999 and its cash flows for the period then ended in accordance with generally accepted accounting principles.

KPMG LLP

KPMG, Chartered Accountants

Vancouver, Canada
May 26, 1999

RAPID TRANSIT PROJECT 2000 LTD.
Balance Sheet

March 31, 1999

Assets

Cash	$40,386
GST receivable (note 2)	4,664,044
Capital assets (note 3)	125,294,073
Deferred start-up costs (note 4)	10,603,425
Deposits on vehicles to be transferred to Greater Vancouver Transportation Authority (note 5)	56,486,172
	$197,088,100

Liabilities and Share Capital

Accounts payable and accrued liabilities	$6,886,193
Due to related parties (note 6)	209,047
Fiscal agency loan (note 7)	56,486,172
Deferred capital contributions (note 8)	132,603,892
Interest on deferred capital contributions (note 8)	902,795
Share capital (note 9)	1
	$197,088,100

Commitment and contingencies (note 10)

Subsequent events (note 11)

See accompanying notes to financial statements.

On behalf of the board:

George Chen, Director

Bob Lingwood, Director

RAPID TRANSIT PROJECT 2000 LTD.
Statement of Cash Flows

Period ended March 31, 1999

Cash provided by (used in):

Financing	
GST receivable	$(4,664,044)
Increase in fiscal agency loan	56,486,172
Increase in deferred capital contributions	132,603,892
Change in accrued interest on deferred capital contributions	902,795
Accounts payable and accrued liabilities	6,886,193
Due to related parties	209,047
Issue of common share	1
	$192,424,056
Investments	
Purchase of capital assets	$(125,539,711)
Deposits on vehicles to be transferred to Greater Vancouver Transportation Authority	(56,486,172)
Deferred start-up costs	(10,603,425)
Amortization of capital assets	245,638
	(192,383,670)
Increase in cash position, being cash position, end of period	**$40,386**

See accompanying notes to financial statements.

RAPID TRANSIT PROJECT 2000 LTD.
Notes to Financial Statements
Period ended March 31, 1999

560255 B.C. Ltd. was incorporated under the laws of British Columbia on February 25, 1998. Its share capital was transferred to the Province of British Columbia on July 30, 1998, at which time the Company changed its name to Rapid Transit Project 2000 Ltd. The Company is responsible for the construction of the SkyTrain extension in Greater Vancouver on behalf of the Province of British Columbia. Phase I consists of the SkyTrain extension between New Westminster, through Lougheed Town Centre and Broadway, to Vancouver Community College. To date, the design and planning of this phase is substantially complete with construction anticipated to commence beginning July 1999 with major contracts already having been approved.

The operations and maintenance and electrical and mechanical services for the Phase I system are currently being negotiated by the Company with different entities.

Phase II, from Lougheed Town Centre to Coquitlam and west from Vancouver Community College to Arbutus, respectively, is currently in the feasibility stage as to the viability of this SkyTrain extension. To date, no approval has been given to proceed with the construction of these two phases.

1. **Significant accounting policies:**

(a) Basis of presentation:

- All costs associated with the construction of the SkyTrain extension are being capitalized to either capital assets or deferred start-up costs. No statement of earnings is provided as the operation of the system will be performed by a separate entity.

(b) Capital assets:

- Capital assets are stated at cost. All capital assets with an individual value in excess of $50,000 are recorded as capital assets and amortized over their useful economic lives. Capital assets less than $50,000 are recorded directly to construction-in-progress or deferred start-up costs. Amortization is provided on the straight-line basis using the following rates:

Asset	*Rate*
Computer software	33%

Amortization of these assets has been included in deferred start-up costs.

(c) Deferred start-up costs:

- Deferred start-up costs are stated at cost and deferred as, in the opinion of management, all generally accepted accounting criteria for deferral have been met. No amortization has been taken to date as operations have not commenced.

(d) Use of estimates:

- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Significant areas requiring the use of management estimates relate to the determination of costs incurred and provisions for contingencies. Actual results may ultimately differ from these estimates.

2. **GST receivable:**

- The GST receivable represents 57 per cent of the GST incurred on expenditures made by the Company to date. The remaining 43 per cent of the GST incurred has been included in capital assets and deferred start-up costs. The Company is currently developing a claim for 100 per cent of the GST incurred. Upon resolution of the claim, any differences in GST receivable will be charged to (recovered from) costs recorded to date.

3. **Capital assets:**

As at March 31, 1999	*Cost*	*Accumulated amortization*	*Net book value*
Land	$908,977	$ –	$908,977
Computer software	736,913	245,638	491,275
Construction-in-progress (schedule)	123,893,821	–	123,893,821
	$125,539,711	**$245,638**	**$125,294,073**

The Company has received a $114 million letter of financial security from Bombardier Inc. ("Bombardier") in regards to the deposits on vehicles.

4. **Deferred start-up costs:**

Insurance	$579,044
Amortization	245,638
Communications	1,740,421
Business development	1,396,793
Finance and administration	4,000,336
Definition phases	1,045,357
Taxes	84,913
Other	1,259,025
GST	251,898
	$10,603,425

- During the period, the Company incurred costs relating directly to the design, planning and construction of the SkyTrain extension from New Westminster to Vancouver Community College, through Lougheed Town Centre and Broadway.

5. **Deposits on vehicles to be transferred to Greater Vancouver Transportation Authority:**
   - During the period, the Ministry of Finance and Corporate Relations approved the purchase from Bombardier of 20 new MK II SkyTrain vehicles for the existing SkyTrain system administered by Rapid Transit Project 2000 Ltd. in conjunction with the Rapid Transit Project 2000 MK II vehicle contract. The Company's capital expenditure limits were adjusted to include the purchase of the 20 new vehicles.

     Deposits on the new vehicles, in the amount of $56.5 million, were made by the Company during the period. The vehicles and the debt directly associated with the purchase, including any interest, will be transferred to the Greater Vancouver Transportation Authority, under an existing negotiated agreement.

6. **Related party transactions:**

- The following table summarizes the Company's related party transactions during the period:

Deferred start-up costs, including communications, business development, finance and administration and definition costs:

B.C. Transit - common-controlled enterprise	$6,888,000
B.C. Transportation Financing Authority - common-controlled enterprise	17,000
West Coast Express - common-controlled enterprise	34,000
Minister of Finance and Corporate Relations	24,000
Coast Mountain BusLink - common-controlled enterprise	109,000

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The following amounts are due to related parties at March 31, 1999:

B.C. Transit	$83,100
B.C. Transportation Financing Authority	17,000
Coast Mountain BusLink	109,000

The amounts due to the related parties are due on demand and have arisen from the purchases of services referred to above.

7. **Fiscal agency loan:**

- The fiscal agency loan represents monies borrowed from the Ministry of Finance and Corporate Relations to make deposits on 20 new MK II SkyTrain vehicles for the existing system (see note 5). There is no security on the fiscal agency loan. The loan is received as a series of short-term discounted notes which are continually rolled over to refinance the purchase of the vehicles. The notes bear interest at rates ranging from 4.68 per cent to 5.17 per cent.

8. **Deferred capital contributions:**

- Deferred capital contributions represent funding received from the Ministry of Finance and Corporate Relations for the design, planning and construction of the new SkyTrain line. There is no security on the capital contributions. The contributions are received as a series of short-term discounted notes which are continually rolled over to refinance the Company. The notes bear interest at rates ranging from 4.68 per cent to 5.17 per cent.

Contributions received	$186,797,703
Accrued interest	3,134,655
Treasury fees	60,501
Net contributions received	189,992,859
Less:	
Fiscal agency loan	(56,486,172)
Accrued interest on outstanding contributions	(902,795)
	$132,603,892

9. **Share capital:**

- The Company has authorized and issued one common share without par value.

10. **Commitments and contingencies:**

(a) Operating lease commitments:

- The Company is committed to payments under operating leases for years ended March 31 as follows:

2000	$497,000
2001	477,000
2002	385,000
2003	174,000

(b) Capital commitments:

- As at March 31, 1999, the Company is committed, under a contract with Bombardier, to a further $8.6 million of expenditure relating to the purchase of SkyTrain vehicles.
- Deposits on land totalling $120,000 were made during the period. The Company is committed to the balance of the purchase price of $2 million.

(c) Construction-in-progress and deferred start-up costs:

- As at March 31, 1999, the Company is committed to future capital expenditures of approximately $15.2 million for the completion of the new SkyTrain line between New Westminster and Vancouver Community College.

(d) Bombardier:

- The Company's concurrent obligations under the MK II vehicles contract are to negotiate, with the intention of entering into, both the electrical and mechanical systems contract and operations and maintenance contract with Bombardier.
- If agreement on either of these contracts is not reached, then Bombardier can elect to sell, and the Company must purchase, the Centre for Advanced Transit Systems on reasonable commercial terms.
- Subsequent to the year end, the electrical and mechanical contract with Bombardier was approved by the board, but the operations and maintenance contract is still under negotiation.

(e) Year 2000 issue:

- The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after Jan. 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

11. **Subsequent events:**

(a) Bombardier electrical and mechanical ("E&M") contract:
- Subsequent to period end, the board of directors approved a contract with Bombardier for approximately $206 million plus applicable provincial sales tax of approximately $7 million for Bombardier to produce and deliver an operational E&M system for Phase I.

(b) New Westminster tunnel:
- Subsequent to period end, the board of directors approved a contract with Walter Construction (Canada) Ltd./BFC Civil joint venture for the design and construction of a tunnel in New Westminster. The total approved price for this contract was $24.0 million.

(c) Elevated guideway:
- Subsequent to period end, the board of directors approved a contract with SAR Transit, a joint venture of three construction companies, for design and construction of an elevated guideway for the Broadway-Lougheed-New Westminster contract. The total approved proposal price for this contract price was $208.8 million.

RAPID TRANSIT PROJECT 2000 LTD.
Schedule of Construction-in-Progress

Period ended March 31, 1999

TransLink - New Westminster to Vancouver Community College:	Costs incurred to date
Systems	$ 0
Lines	2,496
Deposits on vehicles	103,713,400
Design	7,695,396
Public consultation	1,565,827
Property management	310,655
Project controls	1,379,013
Engineering and design management	1,753,494
Construction management	45,327
Insurance	900,000
Interest	2,369,505
Other	757,291
GST	3,401,417
	$123,893,821

RTP2000 Update: Progress since March 31, 1999

Since its year-end on March 31, 1999, significant progress has been made on a number of key project fronts:

- All major construction contracts for the new line are in place.
- The electrical and mechanical contract with Bombardier has been completed; negotiations for the operations and maintenance contract, the last remaining piece of the memorandum of understanding, have begun.
- A negotiator's agreement on cost-sharing has been signed between the province and TransLink. As a result, there will now be:
  - 13 new stations as part of the current project;
  - a commitment to build another line from Lougheed Town Centre to Coquitlam; and
  - a municipal improvement fund to better integrate the new system into the communities it serves.
- The station design and safety and security programs are in full swing.

In addition, the federal government's determination under the Canadian Environmental Assessment Act has been issued. With the government's approval of the project, construction has now begun.

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